EXHIBIT 1

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN MATEO

MARILYN CLARK, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. MICRO FOCUS INTERNATIONAL PLC, CHRISTOPHER HSU, STEPHEN MURDOCH, MIKE PHILLIPS, KEVIN LOOSEMORE, NILS BRAUCKMANN, KAREN SLATFORD, RICHARD ATKINS, AMANDA BROWN, SILKE SCHEIBER, DARREN ROOS, GISELLE MANON, JOHN SCHULTZ, and DOES 1-25, Inclusive, Defendants.	Case No. 18CIV02583 CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE SECURITIES ACT OF 1933 DEMAND FOR JURY TRIAL

File By Fax

18-CIV-02583
CMP
Complaint
1164870

INTRODUCTION

1. Plaintiff, individually and on behalf of all others similarly situated, by plaintiff's undersigned attorneys, for plaintiff's complaint against defendants, alleges the following based upon personal knowledge as to plaintiff and plaintiff's own acts, and upon information and belief as to all other matters based on the investigation conducted by and through plaintiff's attorneys, which included, among other things, a review of U.S. Securities and Exchange Commission ("SEC") filings by defendant Micro Focus International plc ("Micro Focus" or the "Company"), as well as media and analyst reports about the Company and Company press releases. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein.

SUMMARY OF THE ACTION

2. Plaintiff brings this securities class action on behalf of all persons who purchased or otherwise acquired Micro Focus American Depositary Shares ("ADSs") pursuant or traceable to Micro Focus's Registration Statement and Prospectus (collectively, the "Offering Documents") issued in connection with the merger of the Company with Hewlett Packard Enterprise Company ("HPE"), and their subsidiaries (the "Merger"). Pursuant to the Merger, Micro Focus combined with the software business segment of HPE ("HPE Software"). This action asserts claims under sections 11, 12(a)(2), and 15 of the Securities Act of 1933 ("1933 Act").

JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction over this action pursuant to the California Constitution, Article VI, section 10, and section 22 of the 1933 Act, 15 U.S.C. §77v. This action is not removable. The claims alleged herein arise under sections 11, 12(a)(2), and 15 of the 1933 Act. *See* 15 U.S.C. §§77k, 77l(a)(2), and 77o. Section 22 of the 1933 Act, 15 U.S.C. §77v, expressly states that "[e]xcept as provided in section 16(c), no case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States." Section 16(c) refers to "covered class action[s] brought in any State court involving a covered security, as set forth in subsection (b)"; and subsection (b) of section 16 in turn includes within its scope only covered class actions "based upon the statutory or common

law of any State or subdivision thereof." *See also* 15 U.S.C. §77p. This is an action asserting only federal law claims. Thus, this action is not removable to federal court.

4. The violations of law complained of herein occurred in California and in large part in this County. More, certain of the Individual Defendants (as defined herein) reside in San Mateo County. In particular, defendants Christopher Hsu ("Hsu") and John Schultz ("Schultz") are residents of this County.

5. This Court has personal jurisdiction over each of the defendants named herein because they conduct business, were citizens of, or took steps to prepare the Merger in California.

6. Venus is proper because the defendants' wrongful acts arose in and emanated from, at least in part, this County. The violations of law complained of herein occurred in this County, including the dissemination of the materially misleading statements into the County. Further, certain of the defendants live in or conduct business in this County.

PARTIES

Plaintiff

7. Plaintiff Marilyn Clark acquired Micro Focus ADSs in the Merger and was damaged thereby.

Defendants

8. Defendant Micro Focus is a global enterprise software provider supporting the technology needs and challenges of business. The Company is headquartered in the United Kingdom, but conducts substantial business in the United States, including within this County.

9. Defendant Hsu served as Micro Focus's Chief Executive Officer ("CEO") and a director of the board (the "Board") beginning on September 1, 2017—the date the Merger closed—and was named to these positions in the Offering Documents. Prior to becoming the CEO of Micro Focus, defendant Hsu served as the Chief Operating Officer ("COO") of HPE and the Executive Vice President and General Manager of HPE Software, which was acquired by Micro Focus in the Merger. On March 19, 2018, Micro Focus announced that defendant Hsu

was resigning in order to "spend more time with his family and pursue another opportunity" only six and a half months after the Merger closed.

10. Defendant Stephen Murdoch ("Murdoch") served as Micro Focus's CEO and a director until he was replaced in those positions by defendant Hsu as a result of the Merger, after which Murdoch became the Company's COO. Defendant Murdoch became CEO and a director of the Company after defendant Hsu's resignation in March 2018.

11. Defendant Mike Phillips ("Phillips") served as Micro Focus's Chief Financial Officer ("CFO") and director at the time of the Merger. On January 8, 2018, Micro Focus announced that defendant Phillips would be leaving his CFO role to serve as the Company's Director of Mergers and Acquisitions ("M&A").

12. Defendant Kevin Loosemore ("Loosemore") served as Micro Focus's Executive Chairman of the Board at the time of the Merger.

13. Defendant Nils Brauckmann ("Brauckmann") served as the CEO of Micro Focus's SUSE segment and a director of the Board at the time of the Merger, although he left the Board following the Merger.

14. Defendant Karen Slatford ("Slatford") served as a director of the Company at the time of the Merger.

15. Defendant Richard Atkins ("Atkins") served as a director of the Company at the time of the Merger.

16. Defendant Amanda Brown ("Brown") served as a director of the Company at the time of the Merger.

17. Defendant Silke Scheiber ("Scheiber") served as a director of the Company at the time of the Merger.

18. Defendant Darren Roos ("Roos") served as a director of the Company at the time of the Merger.

19. Defendant Giselle Manon ("Manon") served as the authorized U.S. representative of the Company at the time of the Merger.

20. Defendant Schultz, as stated in the Offering Documents, would become a director of the Company following the Merger. On December 20, 2017, Micro Focus announced that defendant Schultz would leave the Board.

21. The defendants referenced above in ¶¶9-20 are collectively referred to herein as the "Individual Defendants." Other than defendants Hsu and Schultz, the Individual Defendants signed the Registration Statement. Furthermore, as directors and/or executive officers of the Company, the Individual Defendants participated in the solicitation and sale of Micro Focus ADSs to stockholders of HPE as consideration in the Merger for their own benefit and the benefit of Micro Focus.

22. The true names and capacities of defendants sued herein under California Code of Civil Procedure section 474 as Does 1 through 25, inclusive, are presently not known to plaintiff, who therefore sues these defendants by such fictitious names. Plaintiff will seek to amend this complaint and include these Doe defendants' true names and capacities when they are ascertained. Each of the fictitiously named defendants is responsible in some manner for the conduct alleged herein and for the injuries suffered by the Class (as defined herein).

SUBSTANTIVE ALLEGATIONS

Micro Focus Announces the Merger with HPE Software

23. Micro Focus is an infrastructure software company that develops, sells, and supports software products and solutions to federal, airlines, and healthcare industries in the United Kingdom, the United States, Germany, France, Japan, and other countries.

24. In 2011, the predecessor to HPE, Hewlett-Packard Company ("HP"), purchased the British software company, Autonomy Corporation plc ("Autonomy") for approximately $10.3 billion. HP's purchase of Autonomy has been one of the biggest blunders in M&A history. HP accused Autonomy of fraud and accounting misrepresentation. The U.S Department of Justice brought fraud charges against Autonomy's former CFO, an action which is still pending. In 2012, HP took an impairment charge of $8.8 billion related to the write-down of goodwill and intangible assets acquired as part of the Autonomy transaction.

25. On September 7, 2016, Micro Focus announced in a joint press release that it would merge with the software business segment of HPE, HPE Software. The Merger was valued at $8.8 billion, which was larger than Micro Focus's entire market capitalization at the time. The consideration consisted of $6.6 billion in new issued ADSs to HPE stockholders, $2.5 billion payment to HPE, which came from newly incurred indebtedness of HPE Software, and a $400 million payment to Micro Focus stockholders. After the closing of the Merger, HPE's stockholders would own 50.1% of the post-Merger company.

26. The joint press release described the deal as a "[r]are opportunity to increase significantly Micro Focus' scale and breadth through the combination with a business operating in adjacent and complementary product areas with similar characteristics and benefitting from a high proportion of recurring revenues and strong cash conversion." The release also stated that the Merger would create "one of the world's largest pure-play infrastructure software companies" with "annual revenues of US$45 billion and [earnings before interest, taxes, depreciation, and amortization ("EBITDA")] of US$1.35 billion." Defendant Loosemore, Micro Focus's Executive Chairman at the time, was quoted in the release as stating that the Merger "'represents a compelling opportunity to create significant value for both companies' shareholders.'"

27. The troubled remains of Autonomy made up a large portion of HPE Software. However, the defendants publicly assured investors that Autonomy would not impact the quality of the assets received by Micro Focus. Rather, as defendant Loosemore claimed in a July 2017 conference call, Autonomy counted for less than 10% of the revenues of HPE Software and assured investors that "we know what we're getting…."

28. Micro Focus claimed that the completion of the Merger would occur approximately a year after the announcement, in the third quarter of 2017. The Company claimed that it was working to ensure a successful integration and transition into a post-Merger

company during this time. Micro Focus's stockholders approved the Merger on May 26, 2017, though it was still months before the transaction closed.[1]

29. In the lead up to the Merger, defendants continued to discuss its prospects. On July 12, 2017, Micro Focus held an earnings conference call with analysts and investors to discuss its preliminary financial results for the fiscal quarter and year ended April 30, 2017. On the call, then–CEO, defendant Murdoch stated that Micro Focus had employed significant integration teams "all managed under a common governance structure, tracking more than 10,000 very specific tasks through to completion" in order to lay out the operational aspects of the combined company. Defendant Loosemore stated that regarding the Merger process: "The HPE transaction milestones completed, all regulatory approvals done, 99.99% shareholder approval; due to file the F-4 at the end of this week; prospectus due to go out fairly shortly; and you're seeing we've refinanced on fairly good terms."

The Materially Misleading and Incomplete Registration Statement and Prospectus

30. On August 4, 2017, Micro Focus filed with the SEC the Registration Statement for the ADSs to be issued in connection with the Merger on Form F-4. This Registration Statement was amended on August 15, 2017, and declared effective that day. On August 22, 2017, Micro Focus filed with the SEC the Prospectus for the ADSs to be issued in connection with the Merger on Form 424B3. The Prospectus incorporated and formed part of the Registration Statement and are collectively referred to herein as the "Offering Documents."

31. The Offering Documents were negligently prepared and, as a result, continued untrue statements of material facts or omitted to state other facts necessary to make the statements made not misleading, and was not prepared in accordance with the rules and regulations governing its preparation.

32. The Offering Documents claimed that the "market value of Micro Focus ADSs to be issued" in the Merger had an estimated value of $6.6 billion, subject to the price of the

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[1] HPE stockholders were not required to vote on the Merger.

Company's shares at the time of the closing. In fact, the Offering Documents contained the following question and answer concerning the market value of the post-Merger company:

> **Q: What is the estimated enterprise value of HPE Software and the consideration to be received by holders of Seattle Shares in the Merger?**
>
> A: The estimated $6.6 billion market value of the Micro Focus ADSs to be issued to holders of Seattle Shares (calculated for the purposes of this information statement/prospectus by reference to the closing mid-market price of a Micro Focus Share as of the close of business on July 27, 2017) and the $2.5 billion Seattle Payment imply an enterprise value for HPE Software of approximately $9.1 billion. The actual value of the Micro Focus Shares to be issued in the Merger and the Micro Focus ADSs to be issued by the Depositary will depend on the market price of Micro Focus Shares as of Closing.

33. The Offering Document contained a section titled "Micro Focus' Reasons for Engaging in the Transactions," which touted the supposed benefits of the Merger. Among other things, the Offering Documents claimed in this section that the Merger was expected to "enhance Adjusted Earnings Per Share" and that "significant cost benefits will arise from reducing duplicated central costs, combining corporate support functions (where appropriate) and increasing efficiency across all functions." The Offering Documents stated:

> The Micro Focus Board believes that segments of the infrastructure software market are consolidating and that successful companies in such markets will be those with outstanding operational efficiency and scale. The Transactions present a rare opportunity to achieve a significant increase in Micro Focus' scale and breadth, with the potential to deliver enhanced Total Shareholder Returns consistent with Micro Focus' stated objectives.
>
> The Micro Focus Board believes the Transactions will enhance Adjusted Earnings Per Share by April 30, 2019 and thereafter, with scope for further benefits as operational improvements are realized across the Enlarged Group.
>
> The Micro Focus Board believes the Transactions represent a substantial opportunity to:
>
> - create significantly greater scale and breadth of product portfolio covering largely adjacent areas of the software infrastructure market, thereby creating one of the world's largest pure-play infrastructure software companies;
> - add a substantial recurring revenue base to Micro Focus' existing product portfolio, together with access to important new growth drivers and new revenue models; and

- accelerate operational effectiveness over the medium term, through the alignment of best practices between Micro Focus and HPE Software in areas such as product development, support, product management, account management, and sales force productivity, as well as achieving operational efficiencies where appropriate.

34. The Offering Documents also stated that the Company's "available liquidity and working capital will be sufficient for not less than the next 12 months following the date of this information statement/prospectus" and that it was "targeting to reduce" its initial pro forma net debt to Facility EBITDA ratio "to its stated target of 2.5x Facility EBITDA within two years following Closing" from the 3.3 ratio expected at Merger closing.

35. The Offering Documents also touted the Company's "successful track record of executing and integrating selected strategic acquisitions." For support, the Offering Documents pointed to the Company's March 2017 acquisition of assets and employees from HPE, stating that its acquisitions "included HPE naming SUSE as its preferred Open Source partner for Linux, OpenStack and Cloud Foundry solutions." The Offering Documents continued, stating that "[i]n each case, the Micro Focus Group's management team has successfully integrated the new business into the Micro Focus Group's then existing operations and executed a program of targeted cost cutting and/or restructuring in order to improve operational efficiencies and group profitability." While the Offering Documents stated that integration efforts had occasionally experienced certain challenges, "[h]istorically, the Micro Focus Group believes that it has successfully worked through these integration challenges and has not seen a material impact on its ability to obtain the desired integration results or improvements in operations and profitability."

36. The Offering Documents touted the competitive and operational strengths of Micro Focus due to its strategic acquisitions, such as the Merger. For example, the Offering Documents stated that Micro Focus has "a clear strategy and business model" that was "focused on the way in which we believe that mature infrastructure software businesses should be managed and that the market for these businesses is going to consolidate." The Offering Documents stated that Micro Focus had positioned itself to be a leader in this consolidated space, as it has "set out to be an effective company at managing a portfolio of mature infrastructure

software assets." The Offering Documents touted Micro Focus's "proven ability to execute," because it "not only delivers significant amounts of cash and consequently great flexibility, but also [delivers] a competitive advantage in the acquisition of other similar assets."

37. The Offering Documents listed the aims of Micro Focus's operational strategy as achieving "1. Revenue growth; 2. Operational leverage; and 3. Significant cash generation." In addition, the Offering Documents stated that the Company's capital allocation, which included strategic acquisitions, allowed it to achieve its long term objective of "15 to 20% per annum" "Total Shareholder Returns" over the long run, and that acquisitions were "only made" "if the Micro Focus Board believes that they will generate risk adjusted returns greater than the base case." The Offering Documents stated:

> The software products offered by Micro Focus enable organizations to achieve improved functionality and performance from their enterprise applications and middleware, whilst lowering their ongoing cost of [information technology ("IT")] operations. The Micro Focus Group allocates capital and [human resources] to achieve its core objective of delivering Total Shareholder Returns of 15 to 20% per annum over the long term. The Micro Focus Group executes this strategy with a strong discipline around the uses of cash and optimizes Total Shareholder Returns with a combination of organic execution, financial leverage and acquisitions. The Micro Focus Group has a base case model which estimates the returns to Micro Focus Shareholders from organic execution and the return of excess cash. Acquisitions are only made if the Micro Focus Board believes that they will generate risk adjusted returns greater than the base case. In the absence of material acquisitions, the Micro Focus Group's practice has been to return excess cash to Micro Focus Shareholders through an appropriate mechanism.

38. The Offering Documents further highlighted the Company's strength in making acquisitions, featuring its "financial discipline in mergers and acquisitions," and "strong financial discipline around the uses of cash." The Offering Documents stated that the Company sought to "acquire businesses in the mature infrastructure software space and improve the operational efficiency of those businesses by applying the Micro Focus business model." Specifically, the Offering Documents stated that acquisitions would increase Micro Focus's ability to "help clients derive value from their existing and often highly complex IT investments."

39. The Offering Documents described at length the due diligence conducted in approving the Merger. In particular, the Offering Documents stated: According to the

Registration Statement, "the parties and their respective advisors engaged in mutual due diligence of Micro Focus' business and HPE Software, as applicable," as early as late June 2016. During August and September 2016, "Micro Focus and HPE and their respective legal advisors also negotiated the terms of various financing arrangements for the transaction with various financial institutions during this period." The Registration Statement claims that the HPE Board considered "the potential value to HPE Stockholders of the Micro Focus ADSs representing 50.1% of the Micro Focus Fully Diluted Shares that they will own immediately following the Merger, including value resulting from: (1) the potential cost reductions attributable to efficiencies and synergies to be realized by combining HPE Software with Micro Focus and (2) the benefits of separating HPE Software from HPE's other businesses."

40. The Offering Documents also provided the Company and HPE Software's historical financial results. Concerning Micro Focus, the Offering Documents highlight the Company's increasing revenue, stating that "[r]evenues grew by $135.7 million, or 10.9%, ... to $1,380.7 million in the fiscal year ended April 30, 2017." In addition, the Offering Documents contained the following five years' worth of financial information, showing revenues of $1.38 billion for the fiscal year ending April 30, 2017:

(in thousands)	As of and for the Year Ended April 30, 2013	2014	2015	2016	2017
Statement of Comprehensive Income Data:					
Revenue	412,167	433,058	834,539	1,245,049	1,380,702
Costs and expenses:					
Cost of sales	(60,986)	(58,116)	(140,547)	(230,174)	(237,169)
Selling and distribution costs	(117,558)	(120,669)	(290,475)	(416,333)	(467,084)
Research and development expenses	(25,682)	(29,629)	(113,292)	(164,646)	(180,104)
Administrative expenses	(48,503)	(68,924)	(142,989)	(138,962)	(202,902)
	252,729	277,338	687,303	950,115	1,087,259
Operating profit	159,438	155,720	147,236	294,934	293,443
Other income (expense):					
Share of results of associates	—	—	(788)	(2,190)	(1,254)
Net finance costs	(7,894)	(7,879)	(55,021)	(97,348)	(95,845)
Profit before tax	151,544	147,841	91,427	195,396	196,344
Income tax benefit (expense), net	(29,767)	(25,759)	10,024	(32,424)	(38,541)
Net income	121,777	122,082	101,451	162,972	157,803
Statement of Financial Position Data:					
Total current assets	130,583	140,072	460,967	954,361	442,193
Total noncurrent assets	437,596	464,945	3,879,634	3,681,332	4,203,764
Total assets	568,179	605,017	4,340,601	4,635,693	4,645,957
Total current liabilities	459,725	568,433	988,030	1,061,797	944,697
Total noncurrent liabilities	48,697	52,835	2,074,510	1,980,168	2,087,770
Total liabilities	508,422	621,268	3,062,540	3,041,965	3,032,467
Total equity (deficit)	59,757	(16,251)	1,278,061	1,593,728	1,613,490

41. The Offering Documents also broke out the Company's revenues by segment, showing:

	Fiscal year ended April 30, 2017 Actual $m	Fiscal year ended April 30, 2016 Actual $m	Fiscal year ended April 30, 2017 Actual (Decline)/ Growth $m	Fiscal year ended April 30, 2017 Actual (Decline)/ Growth %	Fiscal year ended April 30, 2016 Pro forma Constant Currency $m	Fiscal year ended April 30, 2016 Pro forma Constant Currency (Decline)/ Growth $m	Fiscal year ended April 30, 2016 Pro forma Constant Currency (Decline)/ Growth %
Micro Focus							
Licence	308.4	304.8	3.6	1.2%	333.0	(24.6)	(7.4%)
Maintenance	720.7	644.5	76.2	11.8%	754.5	(33.8)	(4.5%)
Subscription	—	—	—	—	—	—	—
Consultancy	48.2	41.9	6.3	15.0%	54.8	(6.6)	(12.0%)
Total	1,077.3	991.2	86.1	8.7%	1,142.3	(65.0)	(5.7%)
SUSE							
Licence	—	—	—	—	—	—	—
Maintenance	—	—	—	—	—	—	—
Subscription	298.7	248.9	49.8	20.0%	245.5	53.2	21.7%
Consultancy	4.7	4.9	(0.2)	(4.1%)	4.9	(0.2)	(4.1%)
Total	303.4	253.8	49.6	19.5%	250.4	53.0	21.2%
Group							
Licence	308.4	304.8	3.6	1.2%	333.0	(24.6)	(7.4%)
Maintenance	720.7	644.5	76.2	11.8%	754.5	(33.8)	(4.5%)
Subscription	298.7	248.9	49.8	20.0%	245.5	53.2	21.7%
Consultancy	52.9	46.8	6.1	13.0%	59.7	(6.8)	(11.4%)
Total Revenue	1,380.7	1,245.0	135.7	10.9%	1,392.7	(12.0)	(0.9%)

42. The Offering Documents showed the Company's North America sales region's revenues increased by nearly $70 million between April 30, 2016 and April 30, 2017. In addition, the Offering Documents stated that "[w]hile the Micro Focus Product Portfolio did decline 5.7% on a pro forma constant currency basis in the fiscal year ended April 30, 2017 as compared to the fiscal year ended April 30, 2016, it delivered performance in line with

management expectations." The Offering Documents also stated that the Company's "Underlying Adjusted EBITDA increased by $108.4 million, or 20.4%, to $640.9 million in the fiscal year ended April 30, 2017 as compared to $532.5 million in the fiscal year ended April 30, 2016." The Offering Documents provided the following table of regional financial results:

	Fiscal year ended April 30, 2017 Actual $m	Fiscal year ended April 30, 2016 Actual $m	Fiscal year ended April 30, 2017 Actual (Decline)/ Growth $m	Fiscal year ended April 30, 2017 Actual (Decline)/ Growth %	Fiscal year ended April 30, 2016 Pro forma Constant Currency $m	Fiscal year ended April 30, 2016 Pro forma Constant Currency (Decline)/ Growth $m	Fiscal year ended April 30, 2016 Pro forma Constant Currency (Decline)/ Growth %
Micro Focus							
North America	**591.4**	525.2	66.2	12.6%	627.1	(35.7)	(5.7%)
International	**389.7**	377.0	12.7	3.4%	415.0	(25.3)	(6.1%)
Asia Pacific & Japan	**96.2**	89.0	7.2	8.1%	100.2	(4.0)	(4.0%)
Total	**1,077.3**	991.2	86.1	8.7%	1,142.3	(65.0)	(5.7%)
SUSE							
North America	**121.8**	108.6	13.2	12.2%	108.7	13.1	12.1%
International	**142.8**	115.6	27.2	23.5%	111.6	31.2	28.0%
Asia Pacific & Japan	**38.8**	29.6	9.2	31.1%	30.1	8.7	28.9%
Total	**303.4**	253.8	49.6	19.5%	250.4	53.0	21.2%
Group							
North America	**713.2**	633.8	79.4	12.5%	735.8	(22.6)	(3.1%)
International	**532.5**	492.6	39.9	8.1%	526.6	5.9	1.1%
Asia Pacific & Japan	**135.0**	118.6	16.4	13.8%	130.3	4.7	3.6%
Total revenue	**1,380.7**	1,245.0	135.7	10.9%	1,392.7	(12.0)	(0.9%)

43. The Offering Documents also contained the historical financial information for the subsidiary of HPE that held the assets that the Company was acquiring in the Merger, called Seattle SpinCo, Inc. The Offering Documents contained the following information:

(in millions)	As of and for the Fiscal Years Ended October 31 2014	2015	2016	As of and for the Six Months Ended April 30 2016	2017
Combined Statements of Operations					
Net revenue	$ 3,933	$ 3,622	$ 3,195	$ 1,554	$ 1,406
Earnings (loss) from operations	415	321	238	109	(48)
Net earnings (loss)	361	391	80	124	(39)
Combined Balance Sheets					
Total assets	$ 11,634	$ 10,979	$ 10,647		$ 10,460
Total capital lease obligations	21	32	36		39
Combined Statements of Cash Flows					
Net cash provided by operating activities	$ 708	$ 235	$ 123	$ 253	$ 176
Net cash (used in) provided by investing activities	(16)	40	211	222	(17)
Net cash used in financing activities	(813)	(322)	(354)	(455)	(122)

44. The Offering Documents also contained the combined historical financial information of Micro Focus and Seattle SpinCo, Inc. The Offering Documents provided:

Micro Focus Unaudited Pro Forma Condensed Combined Statement of Comprehensive Income for the Year Ended April 30, 2017

(In millions of U.S. dollars, except for per share data)	Historical Micro Focus for the year ended April 30, 2017	Adjusted Seattle for the twelve months ended April 30, 2017	Pro forma merger adjustments	Total pro forma combined
Revenue	$ 1,381	$ 3,053	$ —	$ 4,434
Cost of sales comprising:				
Cost of sales (excluding amortization of capitalized development costs and acquired technology intangibles)	(146)	(823)	—	(969)
Amortization of product development costs	(22)	—	—	(22)
Amortization of acquired technology intangibles	(69)	(97)	(62)	(228)
Cost of sales	(237)	(920)	(62)	(1,219)
Gross profit	$ 1,144	$ 2,133	$ (62)	$ 3,215
Selling and distribution costs	(467)	(994)	(437)	(1,898)
Research and development expenses comprising:				
Expenditure incurred in the year	(208)	(526)	—	(734)
Capitalization of product development costs	28	—	—	28
Research and development expenses	(180)	(526)	—	(706)
Administrative expenses	(203)	(546)	321	(428)
Operating profit	$ 294	$ 67	$ (178)	$ 183

(In millions of U.S. dollars, except for per share data)	Historical Micro Focus for the year ended April 30, 2017	Adjusted Seattle for the twelve months ended April 30, 2017	Pro forma merger adjustments	Total pro forma combined
Share of results of associates and gain on dilution of investment	(1)	—	—	(1)
Finance costs	(97)	(72)	(148)	(317)
Finance income	1	13	—	14
Profit (loss) before tax	197	8	(326)	(121)
Taxation	(39)	(123)	108	(54)
Profit (loss) for the period	$ 158	$ (115)	$ (218)	$ (175)
Attributable to:				
Equity shareholders of the parent	158	(115)	(218)	(175)
Noncontrolling interests	—	—	—	—
Profit (loss) for the period	$ 158	$ (115)	$ (218)	$ (175)
Earnings (loss) per share attributable to equity shareholders of the parent:				
Basic	$ 0.69			$ (0.40)
Diluted	$ 0.67			$ (0.40)
Weighted average shares outstanding: (in millions)				
Basic	229		206	435
Diluted	237		198	435

45. The Offering Documents acknowledge the importance of maintaining "high customer satisfaction levels in order to retain and grow its customer base." The Offering Documents also boasted that the Company had "over 20,000 customers, including 91 of the Fortune 100 companies," and that HPE Software had "over 30,000 customers worldwide, including 98 of the Fortune 100 companies." While the Offering Documents warned about what "may" occur "if" the Company failed to retain and grow its customer base, they failed to disclose that a loss of customers had already occurred as a result of the separation of HPE Software from HPE and HP. The Offering Documents stated:

> The Group's ability to maintain customer satisfaction depends in part on the quality of its professional service organization and technical and other support services, including the quality of the support provided on its behalf by certain partners. Once products are deployed within the IT environments of the Group's

> customers, these customers depend on the Group's ongoing technical and other support services, as well as the support of the Group's channel partners, to resolve any issues relating to the implementation and maintenance of the Group's products. If the Group or its channel partners do not effectively assist its customers in deploying its products, succeed in helping its customers quickly resolve post-deployment issues, or provide effective ongoing support, the Group may be unable to sell additional products to existing customers and its reputation with potential customers could be damaged. As a result, the failure by the Group to maintain high-quality customer support could have a material adverse effect on the business, financial condition, results of operation and prospects of the Group.

46. The Offering Documents contain similar "may" and "if" language to already occurring trends when it comes to discussing key personnel and sales employees. In particular, the Offering Documents stated that "Micro Focus believes the Group's success is dependent upon its ability to attract and retain senior management as well as other key employees, such as sales management, product management and development personnel that provide expertise and experience critical to the implementation of the Group's strategy." The Offering Documents also stated that the Company is "dependent on the success of its sales force, and its failure to develop the skill sets of its sales personnel may lead to poor sales performance." The Offering Documents stated that Micro Focus had "more than 4,800 employees in over 90 global locations." Similarly, the Offering Documents stated that HPE Software had "approximately 16,900 employees as of October 31, 2016," including certain employees from HPE's global marketing team and central corporate function. The Offering Documents acknowledged the material importance of keeping sales employees and the risks that "may" occur to the Company's business "if" it failed to retain key personnel and sales employees, yet failed to disclose that a greater number of sales employees had already been laid off, quit, or switched roles than had been disclosed and that the diminished sales capabilities as a result of these changes was already hurting sales and revenues.

47. Item 303 of SEC Regulation S-K, 17 C.F.R. §229.303, requires defendants to "[d]escribe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations." Similarly, Item 503 of SEC Regulation S-K, 17 C.F.R. §229.503,

requires, in the "Risk Factors" section of registration statements and prospectuses, "a discussion of the most significant factors that make the offering speculative or risky" and requires each risk factor to "adequately describe[] the risk." The failure of the Registration Statement to disclose the facts listed below violated 17 C.F.R. §229.303(a)(3)(ii), because these undisclosed facts would (and did) have an unfavorable impact on the Company's sales, revenues, and income from continuing operations. This failure also violated 17 C.F.R. §229.503 because these specific risks were not adequately disclosed, or disclosed at all, even though they were some of the most significant factors that made an investment in Micro Focus ADSs speculative or risky.

48. The statements described above were false and misleading because they failed to disclose and misrepresented the following adverse facts that existed at the time they were made:

(a) the decoupling from HPE was causing HPE Software to experience significant disruption in global customer accounts, which in turn impacted HPE Software's ability to retain customers and for the post-Merger company to recognize the claimed synergies;

(b) as defendants admitted, sales force was the critical ingredient in the Company's health, yet Micro Focus was losing employees, including key sales personnel, and such loss already negatively impacted the Company's health and revenue;

(c) Micro Focus was on pace to significantly miss market expectations for its interim results in its core legacy business for the six months ended October 31, 2017—with revenues for the Company's Existing Products portfolio ultimately declining 7% during the period and its licensing revenues in this segment declining 17% during this time—and that these worsening revenue trends were accelerating;

(d) Micro Focus was experiencing significant sales execution problems in its North America region;

(e) HPE Software did not have the operational capabilities, loyal customer base, products, or key personnel to justify its purchase price or to reverse worsening revenue trends;

(f) Micro Focus had failed to put in place the operations, procedures, and personnel necessary to integrate successfully with HPE Software, or conduct sufficient due

diligence, so as to provide a reasonable likelihood that the purported synergies from the Merger would be realized;

(g) the total enterprise value for the Merger was artificially inflated by more than $3.4 billion; and

(h) because of the above, the Company's ability to service the increased debt caused by the Merger was severely impaired.

49. Approximately one and a half months after the IPO, Micro Focus lowered revenue and earnings per share guidance. The Company explained that its Chief Sales Officer had left the Company and its sales organization had flattened.

50. On September 6, 2017, Micro Focus filed with the SEC its third quarter financial results and an update for the period ending October 31, 2017, for HPE Software on Form 6-K. The Form 6-K stated that HPE Software generated revenues of $718 million for the quarter ended July 31, 2017, which represented a 3% revenue decline compared to the same period in 2016. The Form 6-K also provided guidance for HPE Software for the year ended October 31, 2017, in the range of $2.89 billion to $2.96 billion "driven by the active reduction of less profitable professional services in sub-scale service lines and geographies together with lower license revenue offset by increasing [software as a service] revenue and support revenue being broadly flat." This guidance range implied fourth quarter 2017 revenues down 13% at the midpoint.

51. On January 8, 2018, Micro Focus filed with the SEC its financial and operating results for the six months ended October 31, 2017 on Form 6-K (the "January Interim Update"). The Company reported revenue of only $1.235 billion for the period and an adjusted EBITDA of only $530 million. The HPE Software revenue for the year ended October 31, 2017, came in at the very bottom of the prior reported guidance at $2.891 billion, and $34 million below the mid-point. In addition, the Company stated that it had suffered sales execution issues in its North America region stemming from the loss of key sales personnel. Micro Focus's legacy businesses revenue came in 2.7% lower and Adjusted EBITDA came in 4.1% lower for the period as Micro Focus stated it had "put operational improvement plans on hold while working on the completion

of the HPE Software transaction." In addition, Micro Focus reported revenues of only $500.3 million for the six months ended October 31, 2017, in its Existing Products segment, reflecting a 7% year-over-year decline. The Company's licensing services in its Existing Products segment declined 17% and its consultancy services in the segment declined 11.7% during this same time. The Company also revealed that defendant Phillips would change positions from CFO to the Company's Director of M&A.

52. Then, on March 19, 2018, Micro Focus filed with the SEC a trading update on Form 6-K. The trading update stated that the Company's revenue declines had significantly accelerated. Specifically, Micro Focus lowered its constant currency revenue guidance for the twelve months ended October 31, 2018, to minus 6% to minus 9% compared to the prior year. This more than doubled the rate of revenue decline provided in the January Interim Update. The trading update also stated that the worsening revenue trends stemmed from disruption of former HP global customer accounts as a result of the de-merger of HP and HPE—an event that occurred in November 2015—and that the Company had suffered ongoing sales execution issues, particularly in North America, as well as significant employee attrition. In addition, the trading update revealed that defendant Hsu had abruptly resigned from the Company, despite taking the helm as CEO only six and a half months previously and overseeing the Merger.

53. On March 22, 2018, the price of Micro Focus ADSs closed at $12.99 per ADS, representing a decline of more than 54% from the closing price of the ADSs on the date of the Merger's close.

CLASS ACTION ALLEGATIONS

54. Plaintiff brings this class action individually and on behalf of all persons who purchased or otherwise acquired Micro Focus ADSs pursuant or traceable to the Offering Documents issued in connection with the Merger (the "Class"). Excluded from the Class are defendants and their families, the officers and directors and affiliates of defendants, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which defendants have or had a controlling interest.

55. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Micro Focus or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

56. Plaintiff's claims are typical of the claims of the members of the Class, as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law, as complained of herein.

57. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

58. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether defendants violated the 1933 Act;

(b) whether the Offering Documents were negligently prepared and contained inaccurate statements of material fact and omitted material information required to be stated therein; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

59. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

FIRST CAUSE OF ACTION

Against Micro Focus, the Individual Defendants, and Does 1-25 for Violation of Section 11 of the 1933 Act

60. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

61. This Cause of Action is brought pursuant to section 11 of the 1933 Act, 15 U.S.C. §77k, on behalf of the Class, against all defendants.

62. This Cause of Action does not sound in fraud. Plaintiff does not allege that the Individual Defendants had scienter or fraudulent intent, which are not elements of a section 11 claim.

63. The Registration Statement for the Merger was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

64. Micro Focus is the registrant and issuer for the ADSs sold in the Merger. As issuer of the ADSs, Micro Focus is strictly liable to plaintiff and the Class for the misstatements and omissions in the Registration Statement.

65. The defendants named herein were responsible for the contents and dissemination of the Registration Statement.

66. None of the defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true and without omissions of any material facts and were not misleading.

67. By reason of the conduct alleged herein, each defendant violated, and/or controlled a person who violated, section 11 of the 1933 Act.

68. Plaintiff acquired Micro Focus ADSs pursuant and traceable to the Registration Statement for the Merger. Plaintiff and the Class have sustained damages. The value of Micro Focus ADSs has declined substantially subsequent to and due to defendants' violations.

69. At the time of their purchases and acquisitions of Micro Focus ADSs, plaintiff and other members of the Class were without knowledge of the facts concerning the wrongful conduct alleged herein. Less than one year has elapsed from the time that plaintiff discovered or reasonably could have discovered the facts upon which this complaint is based to the time that plaintiff filed this complaint. Less than three years has elapsed between the time that the securities upon which this Cause of Action is brought were offered to the public and the time plaintiff filed this complaint.

SECOND CAUSE OF ACTION

Against Micro Focus, the Individual Defendants, and Does 1-25 for Violation of Section 12(a)(2) of the 1933 Act

70. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

71. This Cause of Action is brought pursuant to section 12(a)(2) of the 1933 Act, 15U.S.C. §77l(a)(2), on behalf of the Class, against all defendants.

72. This Cause of Action does not sound in fraud. Plaintiff does not allege that the Individual Defendants had scienter or fraudulent intent, which are not elements of a section 12(a)(2) claim.

73. By means of the defective Prospectus, defendants promoted and sold Micro Focus ADSs to plaintiff and other members of the Class for the benefit of themselves and their associates.

74. The Prospectus contained untrue statements of material fact and concealed and failed to disclose material facts, as detailed above. Defendants owed plaintiff and other members of the Class who purchased or acquired Micro Focus ADSs pursuant to the Prospectus the duty to make a reasonable and diligent investigation of the statements contained in the Prospectus to ensure that such statements were true and that there was no omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants, in the exercise of reasonable care, should have known of the misstatements and omissions contained in the Prospectus as set forth above.

75. Plaintiff did not know, nor in the exercise of reasonable diligence could have known, of the untruths and omissions contained in the Prospectus at the time plaintiff acquired Micro Focus ADSs.

76. By reason of the conduct alleged herein, defendants violated section 12(a)(2) of the 1933 Act. As a direct and proximate result of such violations, plaintiff and the other members of the Class who purchased or acquired Micro Focus ADSs pursuant to the Prospectus sustained substantial damages. Accordingly, plaintiff and the other members of the Class who hold the Micro Focus ADSs issued pursuant to the Prospectus have the right to rescind and recover the consideration paid for their ADSs, and hereby tender their ADSs to the defendants sued herein. Class members who have sold their ADSs seek damages to the extent permitted by law.

THIRD CAUSE OF ACTION

Against Micro Focus, the Individual Defendants, and Does 1-25 for Violation of Section 15 of the 1933 Act

77. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

78. This Cause of Action is brought pursuant to section 15 of the 1933 Act against Micro Focus and the Individual Defendants.

79. The Individual Defendants each were control persons of Micro Focus by virtue of their positions as directors, senior officers, and/or authorized representatives of Micro Focus. The Individual Defendants each had a series of direct and/or indirect business and/or personal relationships with other directors and/or officers and/or major stockholders of Micro Focus and/or HPE Software. The Company controlled the Individual Defendants and all of its employees.

80. Defendants each were culpable participants in the violations of sections 11 and 12(a)(2) of the 1933 Act alleged in the Causes of Action above, based on their having signed or authorized the signing of the Registration Statement and having otherwise participated in the

process that allowed the issuance of Micro Focus ADSs in the Merger to be successfully completed.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment, as follows:

A. Under section 382 of the California Code of Civil Procedure, certifying this as a class action, appointing plaintiff as a Class representative under California Rule of Court 3.764, and appointing plaintiff's counsel as Class counsel;

B. Awarding damages in favor of plaintiff and the Class against all defendants, jointly and severally, in an amount to be proven at trial, including interest thereon;

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees;

D. Awarding rescission or a rescissory measure of damages; and

E. Awarding equitable, injunctive or other relief, including disgorgement or restitution, as deemed appropriate by the Court.

JURY DEMAND

Plaintiff demands trial by jury.

Dated: May 22, 2018

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